

SHARING THE RISK

General Insurance Concepts to answer those questions
"WHAT IS INSURANCE?" AND "WHERE DO I GET IT?"



Here is a way that MDI can help you understand the basic concepts of insurance and help you answer the questions "Where do I get insurance" and "What is insurance, anyway?"

Spread the risk with insurance

Insurance is a system by which risk is transferred by a person, business, or organization to an insurance company, which reimburses the people insured for covered losses and provides for sharing the costs of losses.

In plain language, what that means is that insurance is where a group of similarly situated people share the cost of a future car accident, health sickness, property damage, or other personal loss.

For Example, you take a risk every time you get behind the wheel of a car or play football in the yard. No matter how big or small the risk is, there is a risk to driving or even playing at home. You can save your money in a bank for that possible day when an accident or sickness finds you, or you can pay into the pool (insurance) and have peace of mind that your bills are covered.

Most people don't have \$10,000 to \$100,000 readily available to shell out for an accident or illness. Purchasing insurance allows you to join a group of similarly situated people that have similar characteristics, which allows you to decrease the amount of money out of your pocket when that accident comes.

General Insurance Terms

Risk is the chance that you will suffer a financial loss.

A Loss & A Claim

A Loss is an accident or illness that you have experienced which costs you and causes a financial setback.

A claim is where you request that the insurance company pay you for your loss. Usually, a company will not seek you out to offer payment for your loss, you must 'file' a claim for payment.

Proof of Loss - When you have a claim you must be able to prove you had a loss. You can't just say that the only thing the robber took was a \$100 pair of shoes. You're going to have to produce some kind of proof that you owned that pair of shoes. This is why Mom always says - "Keep your receipts"!!!

Ownership - Insurable Interest! - When getting insurance You must have an Insurable Interest in the thing you want to insure. Meaning, you must be able to suffer a financial loss if an item is damaged or stolen. Basically, you have to own something to get insurance on it. If you move in with 2 other roommates and all you own is the couch, you cannot insure your roommates TV, Stereo, or Bed.

Deductible - A Deductible is a clause in your insurance policy that indicates the portion of loss/claim that is not paid by the insurance company. The Deductible is subtracted from the amount that the company is going to pay. The higher your deductible, the lower your premium.

Liability - Liability is your legal responsibility to others for the damage you have caused. When discussing liability, for example, think about who is at fault in an accident.

Does your policy have a Grace period? - A grace period is a short amount of time when you are allowed to be overdue, or delinquent, in your payments. You are still covered if or when you make a payment during the grace period. No payment-no coverage during the period!

With **Car, Home and Apartment** insurance, most insurance companies typically **do not** give grace periods. **Health and Life** insurance policies are **required** to give you a grace period. Check the policy for the time frame; they are not all the same.

Does your policy have a free look period? - A free look period gives you the opportunity to review what you bought and send it back if you don't like it.

Car, Home and Apartment insurance **do not** have a free look period. Most of these types of insurance policies start when you sign the contract on that first day.

Some Health and Life insurance policies are **required** to give you a free look period. Check the policy for the time frame; they are not always the same.

Missouri Department of Insurance
P.O. Box 690

Jefferson City, MO 65102-0690

Get more information about shopping for insurance &
complaint indexes...at <http://insurance.mo.gov>
1-800-726-7390

SHOPPING FOR INSURANCE

Where to go to find this stuff.

You can start with you local agent, your parent's agent, the phone book, the Internet, or by checking out <http://insurance.mo.gov>. *"But how do you choose the right insurance?"*

Choosing an insurance company

Reputation - You probably want a company that has good customer service, great claims service and smart agents. Check with friends, family and other references such as newspaper articles and the Internet. Then ask other people about their opinion of the insurance company your looking at.

Financially sound - Companies are graded on their ability to pay claims and how well they manage their money. A.M. Best and Standard and Poor's are some of the companies that rate an insurance company. This score should not be the main reason not to go with a company, but it may help you decide between 2 companies that look the same in all other areas.

MDI - The Missouri Department of Insurance is a great place to shop for insurance. We cannot give you an opinion about which company is "the best", but we can give you complaint records, financial scores and phone numbers. Check us out on our website or give us a call.

Discounts - Ask the company or agent about what discounts they have to offer. All insurance companies do not offer the same discounts. Some discount examples are "dual policies", "good student", "good driver", or "member discount". Discounts can bring down the cost of your insurance.

How to lower your auto premiums! - Since a major part of your Auto Insurance premiums are based on your Age, Gender, Type of car, Credit Score, and Driving Record. Following these tips will help keep down your auto policy payments.

- Avoid getting Tickets.
- Steer clear of accidents
- Qualify for every discount possible
- Pick your car carefully. High-dollar performance cars will get a high-dollar insurance rate.

The Internet is a fast way to shop! - Many insurance companies are giving free quotes on line. This has allowed many people to shop without having to talk to an agent. MDI recommends that you get 3 quotes when shopping. But with Internet shopping, 3 quotes takes no time at all. You could probably

get 20 quotes in the same amount of time it takes to drive to or call three agents. The more you shop, the better price you will find.

Quick Lesson:

1. Imagine that it's the time of month when you pay your bills. You can't make all of your payments and need a grace period for some of your regular bills. The grace period for your car insurance is how long?
2. What is Insurance?
3. According to MDI recommendations, how many insurance quotes should you get before buying a policy?

Links for shopping:

insure.com
insweb.com

Links to learn more about insurance:

insurance.mo.gov
MEIF.org
spreadtherisk.org
www.NAIC.org

Answers:

1. Car insurance doesn't have a grace period
2. Insurance is the transfer of risk to an insurance company & the sharing of the costs of a loss or accident.
3. You should always get at least 3 quotes